

<p>Meeting Date:</p> <p>January 29, 2016</p>	<p>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</p> <p>PILOT PENSION COMMITTEE MEETING MINUTES</p>	<p>Page 1 of 5</p>
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Committee Members Present

Board Vice President David Connolly, Commissioner, Committee Chair
 John Schneider Commissioner
 Captain Joseph Long, Commissioner
 Knute Michael Miller, Past Board President

Staff Present

Allen Garfinkle, Executive Director
 Roma Cristia-Plant, Assistant Director
 Dennis Eagan, Board Counsel
 Kelly Dolcini, Staff Services Analyst
 Sigrid Hjelle, Office Technician

Public Present

Ray Paetzold, San Francisco Bar Pilots (SFBP) Business Manager-General Counsel; SFBP Captains Nancy Wagner (ret.), Art Thomas (ret.) and Dan Larwood; Michael Jacob, Pacific Merchant Shipping Association Vice President and General Counsel; Graham Schmidt, Cheiron, Inc., Consulting Actuary; and Ricardo Martinez, Chevron.

OPEN MEETING

1. Call to order and Roll Call

Chairman Connolly called the meeting to order at 9:32 a.m. He noted that all Committee members were present and that there was a quorum.

2. Approval of minutes from the Committee Meeting held on November 17, 2015 – Vice President Connolly

There was no discussion of the draft minutes and no edits.

MOTION: Commissioner Long moved to approve the minutes from the Committee meeting held on November 17, 2015. Mr. Miller seconded the motion.

VOTE: Yes: Connolly, Long, Miller and Schneider.

No: None.

Abstain: None.

ACTION: The minutes were approved.

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3. Review and discuss a Committee mission statement and the necessity thereof. Possible Committee action to recommend a mission statement to the Board.

Commissioner Long requested that this item be considered at a later date. The Committee agreed to his request.

4. Review and discuss previous actuarial study of the San Francisco Bar Pilot Pension Plan (Pilot Pension Plan) conducted by EFI Actuaries titled, “Actuarial Projection of Pilot Pension Plan Retirement Benefits as of January 1, 2009.” Presentation to Committee by Graham Schmidt, Consulting Actuary, Cheiron, Inc., the principal author of the 2009 study.

Graham Schmidt, the principal consultant of the 2009 study presented a PowerPoint overview of the study for the Committee, and discussed key terms including the meaning of present value, the assumptions that were used in the study, including mortality rates, retirement rate, disability retirements, inflation and cost of living increases, historical compensation increases, and the discount rate.

Commissioner Long inquired if there was a mortality table for mariners or the transit industry that may be more applicable to the San Francisco Bar Pilots versus a standard mortality table. Mr. Schmidt explained that mortality tables are developed on large populations in which there are thousands of deaths, and agreed that for any future pension actuarial studies, the actuary could review the appropriateness of utilizing mortality tables for transit workers or for worker that work principally at night. Both Commissioner Long and Vice President Connolly comment about the potential relevance of the use of other mortality tables for any future plan actuarial studies such as those for blue collar workers, white collar workers, and public sector workers such as police and fire workers.

Mr. Schmidt confirmed for Assistant Director Cristia-Plant that the 2009 study did not factor in the administration costs of the plan, and could be done by adjusting the discount rate in a study update.

Board Counsel Eagan stated that the Legislature approved a pay-as-you-go plan, and questioned how the data from a plan actuarial study would be useful to the Board other than to possibly make a recommendation to the Legislature to amend the plan. Mr. Schmidt responded that an actuarial study, in this instance, would provide the shipping industry with some estimate of what future surcharges may be to continue to fund a pay-as-you-go plan.

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Mr. Miller reminded the Committee members that: the Board was not a sponsor of the plan; pilots are not state employees; pilots do not receive a salary, but rather net revenue; and he thought an actuarial study of the pilot pension plan could provide valuable data.

Captain Thomas questioned if the plan was changed from a pay-as-you-go plan to a pre-funded plan, who would pay the liability of pre-funding the plan? Mr. Schmidt responded and stated that the Internal Revenue Service has specific regulations on how liabilities get assigned to multi-employers, but ultimately, in his opinion, that issue would be up to the determination of the Legislature.

RECESS: 10:25 A.M.

RESUME MEETING: 10:30 A.M.

5. Review and discuss request by Pacific Merchant Shipping Association (PMSA) Vice President Mike Jacob for the Board to direct the Executive Director, as the fiduciary agent of the Board to the Pilot Pension Plan, to retain the services of an actuary familiar with the administration of defined-benefit pension plans to assess the full value and extent of any and all present and likely future liabilities associated with the statutory Pilot Pension Plan.

Mr. Miller stated his opinion the shipping industry should have some information on what the future plan liability is expected to be. Executive Director Garfinkle responded to a question from Commissioner Schneider and confirmed that the Pension Surcharge could be adjusted to pay for an actuarial study of the plan. Assistant Director Cristia-Plant confirmed for the Committee the cost for the 2009 study was approximately \$12,000.

Commissioners Long and Schneider questioned the value of such a study to the Board. Captain Thomas reiterated that any study should use an appropriate mortality table give his belief that pilots don't live as long as the general population. Commissioner Long agreed that the assumptions used for an actuarial study are very important.

Mr. Jacobs stated that the data from an updated pension plan actuarial study would be very important to shippers, especially the spread between a straight pay out and a 4% discount rate since the shippers could save and invest the spread. He stated that ultimately the difference between pre-funding and not pre-funding the pension plan has some value to a shipper. He also stated that future licensed pilots don't necessarily have to be under the current pension plan. Mr. Jacob also confirmed for Board Counsel Eagan that shipping companies will not set aside funding for future pension payments under the current pay-as-you go plan.

Mr. Miller also stated that the pension pay out goes both ways—if shipping activity is up, the pensioners benefit and could receive more than their target monthly pension amount, but if

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the shipping activity is down for the month, the pensioners also may not receive their target pension amount.

Assistant Director Cristia-Plant stated that she is still working with CalPERS to determine if the Board could utilize their pre-approved pool of actuarial firms through an interagency agreement. If not, the Board would conduct an invitation for bid similar to the procurement process conducted in 2009 to select an actuarial firm for any study of the pension plan.

Mr. Miller stated that he is not ready for the Committee to make a recommendation to the Board on whether or not to request an update to the 2009 actuarial study of the plan, and both he and Commissioner Long requested to see the 2009 Invitation for Bid and resulting contract documents, particularly to discern whether or not the assumptions for the study were included in the contract.

Commissioner Long requested more time to work on study assumptions. Commissioner Schneider agreed with him. Mr. Jacob stated that he was hopeful the Board would contract once again with Mr. Graham to conduct an update of the 2009 study, and that any updated study could include revisions to the study assumptions.

- 6. Identify and discuss any other materials relevant to the Pilot Pension Plan that may be useful to the members of the Committee in gaining a more thorough understanding of the operation of the Pilot Pension Plan, and to aid Committee members in assisting staff create a scope of work for the requested study. Possible Committee action to recommend to the Board to direct the Executive Director, as the Board-designated Pilot Pension Plan Fiduciary, to retain the services of an actuary to conduct a study to assess the actuarial projection of Pilot Pension Plan retirement benefits.**

The Committee agreed that this agenda item was covered in previous agenda item discussions.

- 7. Public comment on matters not on the agenda.**

There was no public comments.

- 8. Proposals for additions to the next Committee meeting agenda.**

There were no proposals for additions to the next Committee meeting agenda. The Chairman agreed to work with staff and other Committee members to schedule the next Committee meeting.

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9. Adjournment.

There being no further business before the Pilot Pension Committee, Chairman Connolly called for a motion to adjourn.

MOTION: Commissioner Long moved to adjourn the meeting. Mr. Miller seconded the motion.

VOTE: Yes: Connolly, Schneider, Long, and Miller.

No: None.

Abstain: None.

ACTION: The motion was approved and the meeting adjourned at 11:00 a.m.

Allen Garfinkle, Executive Director